

VILLAGE OF CARNEY  
REPORT ON FINANCIAL STATEMENT  
AND OTHER FINANCIAL INFORMATION  
YEAR ENDED JUNE 30, 2005

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF CARNEY	County MENOMINEE
Audit Date JUNE 30, 2005	Opinion Date AUG. 26, 2005	Date Accountant Report Submitted to State: AUGUST 26, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

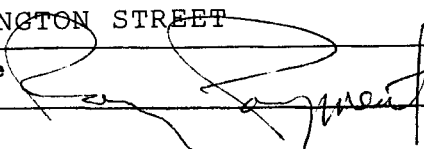
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) RAY PAYMENT, CPA			
Street Address 1217 LUDINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature 			

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RAYMOND L. PAYMENT  
CERTIFIED PUBLIC ACCOUNTANT

1217 LUDINGTON STREET  
ESCANABA, MICHIGAN 49829  
PHONE: 906-786-8520  
FAX: 906-786-8521

PROFESSIONAL BUILDING  
STEPHENSON, MICHIGAN 49887  
PHONE: 906-753-4700

August 26, 2005

INDEPENDENT AUDITOR'S REPORT

Honorable Village Council  
Village of Carney  
Carney, Michigan 49812

I have audited the accompanying general purpose financial statements of the Village of Carney as of and for the year ended June 30, 2005, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Village of Carney prepares it's financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Michigan, which is a comprehensive basis of accounting other than generally accepted accounting principles generally accepted in the United States of America.

The Village has not maintained a record of its general fixed assets and, accordingly, a statement of general fixed assets, required by generally accepted accounting principles is not included in this report.

Management has not presented government-wide statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the

August 26, 2005

presentation of government-wide financial statements. The statements of the Village's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

In my opinion, except for the omission of the information mentioned in the preceding paragraph, the accompanying financial statements present fairly, in all material respects, the fund balances of the various funds of the Village of Carney at June 30, 2005, arising from cash transactions and their cash receipts and disbursements for the year then ended, on a basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued a report dated August 26, 2005 on my consideration of the Village of Carney's internal control structure and on its compliance with laws and regulations.

The financial statements referred to in the foregoing opinion are identified in the contents of this report. My examination was made primarily for the purpose of rendering an opinion on these basic financial statements, taken as a whole. The supplementary financial data identified in the contents, although not considered necessary for a fair presentation of the assets and liabilities of the various funds of the Village of Carney at June 30, 2005, arising from cash transactions, and their cash receipts and disbursements for the year then ended, is presented primarily for supplemental analysis purposes. This additional information has been subjected to the audit procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Ray L. Payment". The signature is stylized with a large, looped "R" and a long, sweeping horizontal stroke at the end.

Ray L. Payment  
Certified Public Accountant

VILLAGE OF CARNEY  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS -  
CASH BASIS  
JUNE 30, 2005

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	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<u>ASSETS</u>		
Cash - Checking	\$ 16 104	\$ 56 923
Cash - Certificates of Deposit	<u>28 614</u>	<u>107 845</u>
TOTAL ASSETS	<u>\$ 44 718</u>	<u>\$ 164 768</u>
 FUND EQUITY:		
Fund Balances	<u>\$ 44 718</u>	<u>\$ 164 768</u>
TOTAL FUND EQUITY	<u>\$ 44 718</u>	<u>\$ 164 768</u>

VILLAGE OF CARNEY  
COMBINED STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCE - CASH BASIS  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2005

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
CASH RECEIPTS:		
State shared taxes	\$ 15 307	\$ -
State grants - Motor Vehicle Highway Fund	-	33 056
Interest	1 082	3 943
Collection fees and miscellaneous	1 597	-
Transfers	-	5 000
	<u>17 986</u>	<u>41 999</u>
TOTAL CASH RECEIPTS		
CASH DISBURSEMENTS:		
Legislative:		
Village council salaries and expenses	1 781	-
General Government:		
Insurance	1 645	-
Elections	340	-
Office supplies and miscellaneous	891	-
Newsletter and advertising	205	-
Transfers	-	5 000
Capital expenditures	3 311	-
Cemetery	256	-
Highways, streets and street lights	5 074	10 924
Parks and recreation	434	-
Water system meetings	720	-
	<u>14 657</u>	<u>15 924</u>
TOTAL CASH DISBURSEMENTS		
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	3 329	26 075
FUND BALANCE, July 1, 2004	<u>41 389</u>	<u>138 693</u>
FUND BALANCE, June 30, 2005	<u>\$ 44 718</u>	<u>\$164 768</u>

VILLAGE OF CARNEY  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CASH BASIS  
GENERAL AND SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2005

	General Fund		
	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
CASH RECEIPTS:			
State shared taxes	\$ 15 307	\$ 15 000	\$ 307
State grants - Motor Vehicle Highway Fund	-	-	-
Interest	1 082	900	182
Collection fees and misc.	1 597	3 700	( 2 103)
TOTAL CASH RECEIPTS	17 986	19 600	( 1 614)
CASH DISBURSEMENTS:			
Village Council salaries and expenses	1 781	1 800	19
Elections	340	550	210
Office supplies & miscellaneous	891	2 750	1 859
Dues and donations	-	450	450
Water administration meetings	720	720	-
Parks	434	1 000	566
Highways and streets	5 074	5 200	126
Cemetery	256	500	244
Insurance	1 645	1 800	155
Newsletter and advertising	205	300	95
Capital expenditures	3 311	3 000	( 311)
TOTAL DISBURSEMENTS	14 657	18 070	3 413
EXCESS OF RECEIPTS OVER DISBURSEMENTS	3 329	1 530	1 799
FUND BALANCE, at beginning of period	41 389	41 389	-
FUND BALANCE, at end of period	\$ 44 718	\$ 42 919	\$ 1 799

See accompanying notes to financial statements.



<u>Special Revenue Funds</u>		
<u>Actual Amount</u>	<u>Budget Amount</u>	<u>Variance Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -
33 056	34 000	( 944)
3 943	3 300	643
<u>5 000</u>	<u>5 000</u>	<u>-</u>
<u>41 999</u>	<u>42 300</u>	<u>( 301)</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
15 924	20 000	4 076
-	-	-
-	-	-
-	-	-
<u>15 924</u>	<u>20 000</u>	<u>4 076</u>
26 075	22 300	3 775
<u>138 693</u>	<u>138 693</u>	<u>-</u>
<u>\$ 164 768</u>	<u>\$160 993</u>	<u>\$ 3 775</u>

VILLAGE OF CARNEY  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1 - ACCOUNTING POLICIES

Basis of Accounting

The Village maintains its accounts on a cash basis. Accordingly, accounts and delinquent taxes receivable and accounts payable have been recognized in the financial statements. The cash basis of accounting is not in compliance with generally accepted accounting principles.

Fund Accounting

The major focus on a governmental accounting and reporting system is to show adherence to applicable legal provisions, and to determine fairly and with full disclosure the financial position and results of financial operations of each accounting entity within a governmental unit.

In accordance with the above criteria. The accounts of the Village of Carney are organized on a basis of individual funds or account groups, each of which is considered a separate accounting entity. Each fund is accounted for with a separate, self-balancing set of accounts that comprise its assets, liabilities, equities, revenues, and expenditures or expenses as appropriate. Government resources are allocated to an accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into categories as follows:

General Fund - This fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds - The Trust and Agency Fund is used to account for assets held in trust or as an agent for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

General Fixed Assets

General Fixed Assets are recorded as expenditures at the time of purchase. The Village has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets as required by generally accepted accounting principles is not included in the financial report.

VILLAGE OF CARNEY  
NOTES TO FINANCIAL STATEMENTS

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NOTE 2 - DESCRIPTION OF THE REPORTING ENTITY

This report includes all of the funds and account groups of the Village. It includes all activities considered by the U.S. Bureau of Census to be part of the Village.

The Carney-Nadeau School District is an independent district and not part of the Village of Carney. Financial data for it are not included in the financial statements of this report. However, audited financial statements for the School District are available upon request from its business office.

The Village provides the full range of municipal services contemplated by statute or charter. This includes public safety, highways and streets, public improvements and general administrative services.

NOTE 3 - PROPERTY TAX LEVY

The Village does not have a property tax levy.

NOTE 4 - STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - BUDGET AND ACTUAL - GENERAL FUND

The above supplemental statement is not required in these statements because the combined statement on page 7 is detailed to the required revenue and activity level as shown in the Uniform Accounting Procedures Manual for Local Units of Government in Michigan.

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Deposits of the Village are in two banks in the name of the Village of Carney Treasurer. Michigan Compiled Laws, Section 124.91, authorizes the Village Treasurer to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations: bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreement; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial

VILLAGE OF CARNEY  
NOTES TO FINANCIAL STATEMENTS

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NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS (Continued)

institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for the Village's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 162 420
Non-insured	<u>47 066</u>
TOTAL DEPOSITS	<u>\$ 209 486</u>

NOTE 6 - BUDGETS AND BUDGETARY ACCOUNTING

As set forth in the Village Charter, the Village adopts an annual budget for the General Fund and Special Revenue Funds. The annual budget is prepared in accordance with the basis of accounting utilized by those funds (cash basis). The Village Council is authorized to transfer budgeted amounts within and among departments. Subsequent to year-end, the board adopts an amended budget approving any transfers among departments or additional expenditures. All appropriations lapse at fiscal year-end.

NOTE 7 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 8 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Village purchases insurance coverage through a carrier. This plan purchases reinsurance for all risks. The Village's expense is to pay only the annual premium.

VILLAGE OF CARNEY  
COMBINED BALANCE SHEET - CASH BASIS  
SPECIAL REVENUE FUNDS  
JUNE 30, 2005

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	<u>Major Street Fund</u>	<u>Local Street Fund</u>
CASH	\$ 102 594	\$ 62 174
FUND BALANCE	<u>\$ 102 594</u>	<u>\$ 62 174</u>

VILLAGE OF CARNEY  
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN FUND BALANCES - CASH BASIS  
 ALL SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2005

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	Major Street Fund	Local Street Fund
CASH RECEIPTS:		
State grants	\$ 21 412	\$ 11 644
Interest income	2 581	1 362
Transfer from Major Streets	-	5 000
TOTAL CASH RECEIPTS	<u>23 993</u>	<u>18 006</u>
CASH DISBURSEMENTS:		
Routine maintenance	2 555	6 100
Street administration	100	81
Winter maintenance	1 697	391
Transfer to Local Streets	<u>5 000</u>	<u>-</u>
TOTAL CASH DISBURSEMENTS	<u>9 352</u>	<u>6 572</u>
EXCESS OF (DISBURSEMENTS) OVER RECEIPTS	14 641	11 434
FUND BALANCE, at beginning of period	<u>87 953</u>	<u>50 740</u>
FUND BALANCE, at end of period	<u>\$ 102 594</u>	<u>\$ 62 174</u>

VILLAGE OF CARNEY  
CHANGES IN ASSETS AND LIABILITIES  
TRUST AND AGENCY FUND  
YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Total</u> <u>Receipts</u>	<u>Total</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>ASSETS</u>				
Cash	\$ 319	\$ 3 327	\$ 3 200	\$ 446
	<u>319</u>	<u>3 327</u>	<u>3 200</u>	<u>446</u>
<u>LIABILITIES</u>				
Due to Village of Carney General Fund	\$ -	\$ 39	\$ -	\$ 39
Due to Carney- Nadeau Water and Sewer Authority	<u>319</u>	<u>3 288</u>	<u>3 200</u>	<u>407</u>
TOTALS	\$ 319	\$ 3 327	\$ 3 200	\$ 446
	<u>319</u>	<u>3 327</u>	<u>3 200</u>	<u>446</u>

RAYMOND L. PAYMENT  
CERTIFIED PUBLIC ACCOUNTANT

1217 LUDINGTON STREET  
ESCANABA, MICHIGAN 49829  
PHONE: 906-786-8520  
FAX: 906-786-8521

August 26, 2005

PROFESSIONAL BUILDING  
STEPHENSON, MICHIGAN 49887  
PHONE: 906-753-4700

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
"GOVERNMENT AUDITING STANDARDS"

Village of Carney Board  
Village of Carney  
Carney, Michigan

I have audited the general purpose financial statements of the Village of Carney as of and for the year ended June 30, 2005, and have issued my report thereon dated August 26, 2005. I conducted my audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Carney's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit I considered the Village of Carney's internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce



August 26, 2005

to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Village Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Ray L. Payment". The signature is fluid and cursive, with a large loop at the end.

Ray L. Payment  
Certified Public Accountant